

Message Text

CONFIDENTIAL POSS DUPE

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72

ACTION AID-20

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 CCO-00 IO-14 DPW-01 SPM-01

SR-02 ORM-03 AGR-20 EB-11 CIEP-02 OMB-01 TRSE-00

PM-07 H-03 INR-10 L-03 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 DRC-01 /150 W
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O 280221Z DEC 73

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC IMMEDIATE 4327

C O N F I D E N T I A L PHNOM PENH 14454

FOR AID/AA/SAH OOTER AND EA ASSISTANT SECRETARY INGERSOLL
FROM ENDERS

E.O. 11652: GDS

TAGS: EAID, EFIN, CB

SUBJ: CY 1974 ESF

REF: SECSTATE 251139/272329Z DEC (:

1. REFTTEL RESPONSE IS NOT RPT NOT ADEQUATE.

2. IN 3-HOUR SESSION YESTERDAY 27 DECEMBER WE FINALLY
FORCED THE HIGH POLITICAL COUNCIL AND INCOMING PRIME
MINISTER LONG BORET TO AGREE TO THE ENTIRE ECONOMIC
REFORM PROGRAM WE HAVE BEEN DISCUSSING WITH YOU, TO

INCLUDE: SUBSTANTIAL DEVALUATION OF THE RIEL THIS
WEEKEND, NEW ECONOMY AND BUDGETARY CONTROL MEASURES,
AN INCREASE IN TAX COLLECTION EFFORT, NEW TAXES ON
THE RICH, PROHIBITION OF LUXURY IMPORTS, MEASURES
TO STIMULATE PRODUCTION, THE NEW REFUGEE PROBLEM,
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AND SALARY INCREASES LIMITED TO WHAT WE BELIEVE THE
BUDGET CAN SUPPORT.

3. THIS AGREEMENT WAS REACHED WITHOUT COMMITMENT
AS TO CIP MAGNITUDE FOR THE COMING YEAR, PER YOUR INSTRUCTION.

4. LONG BORET DID PLEAD FOR "SOME GESTURE OF AMERICAN
CONFIDENCE IN THE NEW GOVERNMENT" TO HELP HIM OVERCOME THE
STIGMA OF A DEEP, IMMEDIATE DEVALUATION, SUGGESTING
A CASH GRANT. I TOLD HIM THAT WAS IMPOSSIBLE,
BUT
THAT WE WOULD TRY TO ACCOMMODATE HIM BY SIGNING ON
MONDAY AN EF AGREEMENT, IF POSSIBLE, IN A SIGNIFICANT AMOUNT.

5. UNDERSTAND THE PRESSURES ON YOU. HOWEVER, IF THE
PROGRAM LONG BORET PRESENTS TO PARLIAMENT TODAY
CORRESPONDS TO OUR AGREEMENT, AND IF THE GKR ACTUALLY
DOES DEVALUE OVER THE WEEKEND, BELIEVE WE MUST ALSO
MAKE A GESTURE ON OUR SIDE. IT WOULD BE WRONG TO
NICKEL AND DIME THE KHMER AT THE START OF A NEW
GOVERNMENT WHICH AT LAST APPEARS READY TO ATTACK
SOME OF THE MORE SERIOUS SOCIAL AND ECONOMIC PROBLEMS
HERE.

6. REQUEST BY RETURN CABLE AUTHORITY TO GO AHEAD WITH
THE ESF NOTE AS ORIGINALLY DRAFTED, TO INCLUDE
\$8.75 MILLION FIGURE. USE OF THE NOTE, OF COURSE, AND
ACTUAL DEPOSIT OF THE FUNDS TO THE ESF IS CONDITIONAL ON KHMER
PERFORMANCE ON THE AGREED PACKAGE.
ENDERS

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